PRIME MINISTER'S OFFICE

FOUR YEAR DEVELOPMENT PLAN OF ISRAEL 1950 - 1953

SUMMARY AND CONCLUSIONS

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FOREWORD

In March, 1949, Israel's Prime Minister, Mr. David Ben-Gurion, asked the undersigned to prepare a development plan for Israel for the absorption of 750,000 immigrants during the next four years. At present, a draft has been prepared in Hebrew, consisting of detailed development plans for Agriculture, Manufacture, Construction, and Services, mainly in form of tables and notes, that is, accompanied by explanatory text only to a limited extent.

As the Plan has not yet been approved by the Government, and as it will probably be changed in some respects, only the Summary has been translated into English so far. It is hoped to publish the whole plan in its final form in due course. Meantime the undersigned will be glad to receive comment and criticism.

I have been aided by a good many Government Departments and other institutions and persons who put at my disposal statistical material and helped with advice. The Ministry of Agriculture, in particular, joined forces with my Department in preparing the development plan for Agriculture for which, in fact, both units share responsibility.

I take pleasure in thanking my principal assistant, Mr. David Dinour, who dealt with agricultural development and food processing in particular, besides rendering valuable advice on many aspects of planning, and to my other colleagues, Messers. Nahum Eden and Zeev Kurzweil, for their unfailing zeal in collecting and digesting statistical material.

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Hakirya, June 1950

FOUR YEAR DEVELOPMENT PLAN OF ISRAEL, 1950-1953

SUMMARY AND CONCLUSIONS

A. CONCLUSIONS

Terms of Reference

On March 18, 1949, the Prime Minister of Israel, Mr. David Ben-Gurion, asked me to draft a plan for the economic development of Israel designed to make possible the absorption of large-scale immigration during the coming four years. The Prime Minister gave me the following terms of reference: —

1) An immigration of about 750,000 Jews. I assumed a total increase of population (including immigration, as well as natural increase, and comprising the presumable Arab population of Israel) as follows: —

Yearly average of population (in 000,000's)

1949	1950	1951	1952	1953
1.0	1.2	1.4	1.6	1.8

In other words, I assumed an increase by 800,000 inhabitants up to the year 1953, as compared with an average of about one million in 1949.

2) There are two schools of thought regarding the development of the Israeli economy; one school laying stress more on industrial development, the other more on agricultural development. This alternative implies, at the same time, a choice between other targets, namely, a higher outlay on investment per family, and a lower standard of life, in case emphasis is laid mainly upon agricultural development, or a lower investment per family and a higher

standard of life, in case of preference being given to industrial development.

As the choice cannot be based on economic reasoning alone, I asked for the Prime Minister's decision. The Prime Minister's answer can be formulated as follows: —

a) For obvious non-economic reasons we must endeavour to reach within the shortest possible time the maximum of local production of essential foodstuffs which are reasonably attainable.

b) For that reason, as well as in order to populate the large empty spaces in the Negev, the Galilee and elsewhere, we must lay stress upon development of agricultural settlements. The Prime Minister tentatively put the target for agricultural development, in terms of the share of that part of the total population subsisting on agriculture, at a minimum of 20 per cent.

c) Regarding the standard of life the Prime Minister expressed himself in favor of an increase of the standards of nutrition, education and of other social services, that is to say, for a greater equalization of living standards, rather than for an increase in the average.

First Target*: *Full Employment

A development plan for a rapidly expanding population must of necessity set up, as its first target, full employment for the potential earners within the population.

Table 2 below shows that the Plan provides employment for 95 per cent of the potential earners during the first plan year, and that unemployment will practically disappear during the second year of the plan. However, this goal is reached only because of the increasing employment in the building trade which according to the plan will rise not only in absolute figures, but also in relation to the increase in population, from 6 per cent of potential earners in 1949 and 8 per cent in 1950 to 13.5 per cent in 1953. Now building and construction works offer continuous employment only in so far as they consist of repair and renewal works, whereas those workers employed in net additions to dwellings, port facilities, public roads and buildings, and so on, are dependent upon the needs and the possibilities of further expansion. Experience in the past showed that "normal" employment in both, repair and renewal work, on the one hand, and expansion for the natural increase of the population on the other, gives employment to 5-6% of the total of potential earners. It follows that in 1953 employment for about 8% of the earners will continue up to the end of building and construction works connected with the immigration; such building might well extend beyond 1953, but not *ad infinitum*.

Second Target: Expansion of Production

The second target of any development plan is already implied in that of full and permanent employment; immigrants can be considered as economically absorbed only after more or less permanent employment has been assured to them, by expanding working places, in production, distribution and in the services. This target raises a host of problems one of which appears to be of such fundamental importance, that it requires discussion in this summary.

The problem is, whether production shall be enlarged for home consumption[1], or for other purposes.

To enlarge production for consumption of the newcomers, is indeed the natural first approach. But this approach cannot answer the entire problem. Industrial development means introduction of more efficient machinery, not only in the new factories but also in those already established. Also agriculture will probably be more mechanized than in the past, though not to the same degree as industry. Better machinery means a smaller amount of employment per output unit.

It follows that if we expand only such industries which supply consumer goods to the local population, we shall not succeed in absorbing the whole increase of population.

It might be argued that a rise in the standard of living would mean an increase in markets for consumer goods. But such a change presupposes a rise in per capita income, and that, in turn, a rise in production levels. In other words, expansion of production for local consumption is, at the same time, the premise and the conclusion — clearly circular reasoning. It follows that home consumption at the present level cannot assure full absorption, and that a higher level is unattainable, without a rise of per capita production for markets other than local consumption.

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[1] "Consumption" is conceived in the Summary as well as in the body of the Development Plan, in the narrow sense of using up finished consumer goods and services by households. Using materials in producing goods and services is, therefore, not called "consumption".

Such markets can be, at a given level of consumption, either export markets, or replacement of imports, and every opportunity of enlarging these employment possibilities should be used.

As will be seen below, full employment in the later years of the Plan period is accompanied by an annual rate of LI. 70-80 million of capital net import. The dependence upon foreign resources, to be sure, is relatively decreasing as local saving will contribute an ever higher share of the investment capital required. The rising rate of saving in national income will be the result of two tendencies: the rise in per capita income and the reduction in per capita consumption. A certain reduction of the standard of life will be unavoidable as long as we shall be dependent upon foreign capital.

The planned reduction of the standard of life expresses itself in per capita expenditure on consumption (at constant prices) dropping from LI.220 in 1950 to LI.208 in 1953 or by 6 per cent. These averages, however, cover unequal changes in the main kinds of consumption.

Expenditure on food will remain about LI.99 per capita. Expenditure on clothing and footwear, however, will drop from LI.29 to LI.24 or by 17 per cent, and expenditure on services by 14 per cent. Within that item, services rendered by Government and Local Authorities will rise from LI.8.500 to LI.14.700 per capita per year, mainly in consequence of the development of compulsory education, of public social services and of social insurance.

As mentioned, all figures are based on constant prices and represent therefore changes in volume. Two exceptions, however, are important. Firstly, insofar as locally produced goods are more expensive than imported goods, the replacement of imports by local products tends to decrease the purchasing power of the income unit. This holds true especially of foodstuffs. Hence the apparent stable expenditure on food conceals a real decrease in nutrition in so far as local produce replacing imports is dearer than the latter. The second exception refers to dwelling standards. The average density of habitation at the beginning of 1949 was calculated by a Government commission at 2.14 persons per room. Though the Plan takes into consideration the construction of 320,000 dwelling units during four years, the average density is liable to increase somewhat.[1]

These two tendencies imply a decrease of the standard of life which is not expressed in the monetary terms of expenditure on consumption.

Third Target: *Reduction of Import Surplus*

In addition to the arguments for not expanding, but even restricting consumption which were discussed in the last paragraph, there are two more reasons which will be dealt with in this and in the following paragraph, namely, the targets of balancing imports and exports, and of financing net investment by net saving, replacing capital net import.

Reduction of consumption decreases the import surplus in direct and in indirect ways. If we eat less imported meat and drink less imported coffee, we save foreign currency which may be used for raw materials. These are examples of direct savings in imports by restricting consumption. But even if we restrict the consumption of shirts or garments which are — let us assume — made almost entirely of local materials we reduce the gap in the balance of foreign trade. We reduce it, because we enable producers of shirts to sell abroad that part of their output which is no longer absorbed by local markets. To be sure not all our products are exportable, either because of deficiencies in quality, or because prices are too high, or for any other reason. But even in such cases, restrictions of local consumption tend to decrease the import surplus. Take for example furniture. If we restrict the sales for furniture to local markets, we get free producing capacity which might be used — at least in certain cases — for making exportable products, for example wooden toys.

The final goal of a stable economy is the equalization of import and export. Can that goal be achieved during the period of the Plan? According to the terms of reference the population of Israel will increase by 20% in 1951, and by 12.5% in 1953. Such large ratios of increase exceed by far the possibility of increasing production for export and for replacing import. For local producers have not only to feed a quickly growing population, but also to provide resources for the large investments necessary for future increase of production. It appears, therefore, to be a considerable achievement if we shall increase the ratio of export to import from about 14% in 1949 to 24% in 1950 and to 47% in 1953, as provided in the Plan.

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[1] To what degree is difficult to determine. It depends on the magnitude of the "dwelling unit", whether the average will be one room or one and a quarter, or one and half.

Fourth Target: Financing Net Investment by Local Net Saving

Actually, this target is identical with that discussed above. Investment, that is the creation of lasting assets, such as houses, farms, factories, machinery, and roads, can be financed from three sources: firstly, from depreciation funds the deduction of which turns gross into net investment; secondly, from net saving; and thirdly, from capital net import.

Let us consider only net investment, as repairs and renewals and their financing by depreciation funds present no problems pertinent to our context.

Net investment has thus to rely on capital net import to the same degree to which net saving does not suffice. Capital net import is identical with the import surplus of goods and services. It follows that conceptually any increase in local net saving decreases at the same time the import surplus, as well as the need to rely on capital net import.

Again the importance of reducing consumption is obvious. For if out of LI. 1,000 income LI. 1,000 are consumed, that is, net saving is zero, net investment has to be financed entirely by capital net import, on the one hand, and import to meet the high local consumption will loom relatively large. But, if only LI. 700 are consumed, not only is the demand for consumer goods and services smaller by 30% (with the consequence of reducing the foreign trade gap pointed out above), but the income recipient saves LI. 300, and this saving can be utilized for financing investment, either directly by the saver, or indirectly through the banks or the government.

Again, it cannot be expected that the net investment necessary for large scale immigration can be financed out of local saving.

Let us assume that the net investment required for absorbing one immigrant is only LI. 630, and that we succeed in increasing net saving (of private individuals and business, as well as of government and local authorities) to 18% of the national income. In 1953, per capita income is LI. 272, and net saving per capita LI. 48.8. As the increase of population in 1953 is 12½%, eight inhabitants would have to provide the financing of absorption of one immigrant. Actually net saving of eight inhabitants would amount to LI. 390, or only about 60% of the amount required.

The targets of the plan boil down to increasing the share of net saving in financing net investment from 15% in 1950 to 55% in 1953.

Import Surplus, Capital Net Import and Immigration

What would be the situation, if we suppose that immigration would be smaller than assumed, or would stop altogether? It is reasonable to assume that in that case less investment would be necessary, imports would be smaller and the share of local output available for export surpluses larger. In order to obtain some idea of the order of magnitude, let us assume that in 1953 all the Jews willing and able to immigrate have done so, so that immigration in 1954 would be insignificant, and let us further assume that in 1954, or in some later year, the whole backlog of housing and other investments would have been made good. In that case investment activities in that year would be concerned mainly with renewals and net additions for the natural increase of population.

In order to gauge the extent of these "normal" investments, let us start from necessary renewals, as they are not dependent upon immigration, but upon the total of durable assets subject to depreciation. In the United States, gross investment in 1948 consisted of 35% renewals and of 65% net investment. In 1946 and 1947 renewals formed 45-46% of gross investment. In England, a similar ratio prevailed in 1924 and in 1930.

Depreciation in 1953 amounts to LI. 55 million. Assuming the same ratio between depreciation and net investment in 1954 in Israel, as that existing in the United States and in Great Britain, during the above mentioned years, i.e., about 45: 55, we arrive at a net investment in Israel in 1954 of LI. 67 million.

We can estimate net investment in 1954 also directly. If we assume in Israel a necessary investment of LI. 1,000 per capita and a natural increase of 2% from 1953 to 1954 the net investment required would amount to LI. 35 - 40 million.

Net saving (of the private economy as well as of the public sector) in 1953 is scheduled in the Plan to amount to LI. 87 million. Such an amount would amply cover net investment for a not rapidly expanding population in Israel, as net investment would require only between LI. 40 and LI. 70 million as shown.

These are of course, merely illustrative estimates. Unfortunately no similar calculation can be made for imports and exports. But it is reasonable to assume that pari passu with the decline or the disappearance of the necessity of capital net import, the import surplus of the balance of trade will decline or disappear, too.

The interconnection between the rate of investment and capital net import can be seen in the experiences of some European countries for 1947 and 1948. The countries in which domestic net investment was highest also had the largest capital import; the high capital net import permitted the financing of the large domestic net investment. With the increase of domestic net saving in 1948, the share of capital net import in financing domestic investments fell. Nevertheless, even in that year the positive relation between the size of these two latter magnitudes is still apparent.

Capital Net Import and Net Investment as Percent of National Income in European Countries

	1947		1948	
Country	Capital net import	Domestic net investment	Capital net import	Domestic net investment
Norway	17	25	10	21
Netherlands	17	20	9	17
Sweden	8	17	2	12
Italy	11	13	6	12
Denmark	3	10	2	14
United Kingdom	6	9	½	11½
France	4	9	6	11
Poland	3	6	0	6
Hungary	—6	1	—5	8
Czechoslovakia	3	0	½	3

Source: UN Department of Economic Affairs; *Economic Survey of Europe* in 1948, Geneva, 1949, p. 46.

In five out of ten countries, capital net import changed in the same direction as did net investment within the country. In five others, the two items moved in opposite directions, obviously due to the substitution of net saving for capital net import.

Problems of Economic and Fiscal Policy

The figures of this Plan are the results of a good many investigations into the possibilities of developing enterprises, sub-branches and branches of agriculture, manufacture, building and construction, tourist trade, commerce and transportation, and various services. Though the Plan is thus based upon realities, it is nevertheless not a forecast of what is likely to happen. A development plan has to set targets for certain purposes to be achieved under certain conditions. Some of the conditions assumed imply very serious exertions on the part of the government. I propose to point out the more important problems.

(1) *Prices.* As mentioned, all amounts of money represent quantums. Individual prices are assumed to stay constant (though the changes from imported to locally produced goods may change the value of some "baskets", for instance, the value of the basket of consumer goods and services). This is, of course, a quite unrealistic assumption, since prices of imported goods and services, may change, without any possibility on our part of influencing the trend. Prices of locally produced goods, however, can be changed by government intervention. I need not stress the importance of reducing prices and costs, for the sake of improving the competitive power of our products in export markets, as well as in local markets, and of making investments more attractive to foreign would-be investors, and for generally improving our credit abroad. Prices and costs can be reduced either by increasing the efficiency of production, by decreasing real incomes of those participating in production, or by shifting the burden of costs from producers to taxpayers in general, in the form of subsidies.

The most desirable form of reducing costs and prices is by increasing efficiency of production, without introducing labor saving machinery. Such possibilities, as far as they exist, should be exploited to the fullest. Of particular importance in this connection is the acquisition of skill and the technical and administrative "know-how", lacking to-day in many vocations. Vocational training of workers, the use of efficiency engineers, the training of engineers, chemists, and so on, are not less important investments than the acquisition of modern machinery.

The main method of reducing prices and costs is, of course, by the introduction of better machines, particularly in manufacturing. Owing to the assumption of stable prices, the possibility of price reductions expresses itself in an increase of average per earner incomes in manufacturing, agriculture, etc. The average per capita income of the Israeli population will rise from LI. 253 in 1950 to LI. 272 in 1953, or by 7.5%. This rise reflects the increase in productivity, as assessed for the various branches of the economy.

(2) *The inflationary gap*

On the other hand, per capita consumption is scheduled to decrease from LI. 220 in 1950 to LI. 208 in 1953. There will be, therefore an "inflationary gap", growing from 13% of incomes in 1950 to 23⅓% in 1953. To skim off the surplus of incomes over the planned level of consumption, in the form of direct taxation and more or less voluntary savings, is one of the crucial tasks of our fiscal policy.

(3) *Rationing and linking*

In my opinion, fiscal measures alone will not suffice to achieve the goal of keeping surplus incomes off the markets for consumer goods and services and of channelling them into desired investments. This goal will require enlargement of the control system already introduced. Rationing should be extended to all essential supplies; prices, wages and profits should be more effectively regulated, and black marketeering prevented by using linking methods to all essentials, that is to say, the allocation of raw materials, etc., should be made dependent upon the delivery of specified quantities of products.

As it is the task of the development plan to set targets, but not to draft economic policy, the opinions expressed in this paragraph might be regarded as wrong. But this in itself would not invalidate the Plan. Those dissenting from my proposals might see other ways and means for achieving the targets which are the essential parts of the Plan; the methods of achieving the targets may be quite open to dispute.

Implementation of the Plan

A plan for the development of the Israeli economy is not a forecast of what is likely to happen. Though the Plan takes the actual situation as far as it is ascertainable, and the likelihood and the possibility of changes as bases, it does not restrict its conclusions to these premises. Its terms of reference, particularly the postulate of full employment, imply changes in economic and fiscal policy which are necessary for achieving the targets set by the Plan. These changes, again, require adaptations of our administrative make-up and of the interconnections with non-governmental bodies, such as the National Funds, the Histadruth (the Trade Union Federation), and the organizations of manufacturers, farmers, shipowners, and other economic groups.

The actual implementation of the Plan raises problems which go beyond the terms of reference set to the undersigned. Economic planning can be adapted to the frame of a totalitarian communistic system, as in Soviet Russia, as well as to the system of a managed economy which leaves a certain latitude to private initiative and enterprise. It is not for the undersigned to decide what kind of social and economic order is best suited for our young state. This is a decision which can be made only on the highest level, by the Government, the Parliament and in the final sense by the People. The following remarks should be read therefore with the reservation that they are not intended to prejudice the basic decisions alluded to above.

The plan as elaborated up to the present is, what I would call a framework of functionally interconnected targets. That is to say, the plan sets interdependent targets for investment, consumption, saving, for the development and the output of dairy herds, fruit orchards, metal processing, textile, food processing industries, railways, tourist trade, and so on and so forth. The Plan does not concern itself however, with the location of the farms and factories, with the economic structure of a Kibbutz, with the location of roads and railways.

Though functional planning is the basis for actual implementation the latter requires, nevertheless, much more detailed and inductive research which must still be done. This is of special importance for planning of agricultural settlements.

There should be fixed types of settlements for the various regions of the country. In the Negev, for instance, a farm unit will be cultivated on a different basis than in the Galilee, in the Jordan Valley, or in the Corridor to Jerusalem. As not all kinds of cultivations yield the same return for a working-day — for instance at present prices, general field cultivations ("falha") LI. 3.260, bee hives LI. 1.241 (see Plan of Agriculture p. 6) — the physically best combination of cultivations may not yield a sufficient living income for the 320-350 working-days that the farm unit requires. In those cases the actual planning must provide the farm unit with non-agricultural work, such as supplying personnel for government services (customs officials, soldiers, for example) or a workshop, or a recreation hostel, and the like, as circumstances may suggest.

Another instance of problems of actual planning is the occupational structure of new towns, or the revival of backward towns such as Jerusalem and Safed. Again, functional planning determines the targets, say, for spinning and weaving mills, while the actual planning has to decide on enterprises on which a new town in the Galilee for example, will be based.

On the Necessity and Possibility of Planning

There are economists who dispute the necessity or the possibility of planning in Israel. I shall try to discuss therefore some of the arguments frequently brought forth against planning.

a) Those opposing planning generally stress the unpredictability of such factors as the extent and the pace of immigration, and of capital import. They are doubtlessly right insofar as an annual increase of population of one or 1½%, due to natural increase, is less difficult to deal with than an increase by immigration reaching 12, 15, or 20 per cent of the population. Also the investment and saving rate and the foreign trade balance are easier to manage. But they forget that this holds true only if the standard of life, or the level of industrialization remain as they were. If, for instance, a country has to build up quickly a war economy as England had to in 1939, or in the case of Soviet Russia where its government decided upon quick industrialization, the annual rate of investment and therefore the necessity of increasing internal saving and/or of attracting capital from abroad is of the same order of magnitude as it is in consequence of large-scale immigration.

I do not deny that immigration and capital import are less predictable then internal development of resources. But the difference is only one of a degree. Even Soviet Russia had to adapt the pace of development to external circumstances, such as the world political situation, the success or failure of crops, and the like.

Planning thus has to contend with unforeseen circumstances anywhere, even abroad. Unforeseen changes require flexibility on the part of the economy and on the part of those policy-making and control agencies which direct the economy. Unforeseen changes may result in adaptation *ad hoc,* uncoordinated and possibly conflicting; or they may result in adaptations which are coordinated, which are based on an overall appraisal of the situation, and which can rely on an administrative machinery to put them into effect. If the structural relationships which are implied are known, then the proper sort of changes, in the light of the new situation, can be proposed. Planning by providing both, this knowledge, as well as a coordinating administrative apparatus, thus greatly facilitates adaptation to changing circumstances.

b) A second argument against planning in Israel is that it would require such strict regulations and controls that foreign capital is likely to be deterred from making investments. This argument does not fully appreciate that controls and rationing are of necessity connected with large-scale immigration. We have to share the cake of our national product with the newcomers, and as we wish to assure to everyone an equal slice, we cannot rely on free markets which would assure supplies only to the relatively well-to-do, and we cannot even rely on price ceilings only, because the cake would shrink. What we want, is the national product to grow, and, at the same time, to be distributed more or less equally, at least regarding the essential supplies of foodstuffs, clothing and housing. This necessitates control and rationing.

Though control implies allocation of scarce resources the deciding question is whether control is exercised in accordance with an overall plan, or in an haphazard way.

Planning, setting targets of consumption, investment and production, and allocating resources in accordance with these targets, tends to alleviate the investors' decisions, as it will assure him of an adequate supply of materials and of adequate markets, as far as circumstances will allow.

Planning is, so to say, the positive complement to the negative controls. While controls alone are liable to deter foreign investors, planning, by assuring them supplies and markets, tends to compensate them for the bother unavoidably connected with a controlled economy.

c) In the foregoing paragraphs, I tried to show that the planning for large-scale immigration is not much more difficult than planning for large-scale industrialization, that planning would compensate foreign investors for the unavoidable trouble connected with controls and rationing. The third argument for planning is the necessity of preparing our economy for defense in case of a new war with the surrounding countries. That this risk is grave and impending need not be elaborated. It might be contended that preparing for war does not mean planning of the whole economy, that one might prepare for the military needs and leave the civilian sector alone.

The fallacy of such an attitude cannot be shown better than by an analysis of the causes of Germany's failure in the First World War, as given by an authoritative British publication.[1]

> "Germany's economic failure was not in the special province of war production, but in the allocation of economic resources amongst all claimants, including the civilian population. The Germans, after their original expectations of a short war of movement had been falsified, were quick to adapt their war industries to the requirement of positional warfare. They switched production, more quickly than the British did over from field-guns and shrapnel to heavy guns and high explosive shells. They found in Walter Rathenau, a brilliant master of industrial organisation and applied science, and through his practical genius achieved sensational triumphs in producing substitute material to replace the imported raw materials that the blockade denied them. But they failed to provide sufficient food for the people. It has been estimated that, at the end of 1918, the German people were consuming only sixty-four per cent. of the cereals, eighteen per cent. of the meat, and twelve per cent. of the fats that they had consumed before the war . . .
>
> . . . Before the war the Germans were importing less than *ten per cent. of their food*. Their losses of overseas food imports were a small thing in comparison with the losses they inflicted on themselves by their failure to maintain home production. That failure had simple causes : *decline* in the number of draught animals and no compensating mechanization of agriculture, inadequate production of fertilisers; insufficiency of farm labour. Each of these causes has its root in a deeper cause, the faulty balance of a war economy in which resources essential for maintaining the efficiency of the civilian population were engulfed by the armed forces and the industries most closely connected with them".

If, therefore, the absorption of large-scale immigration alone would be a sufficient argument for introducing comprehensive planning, the case is strengthened by the defense argument.

d) The last argument, namely, planning for defense purposes, but not for the total economy, is a special case of the general argument which recommends development plans for irrigation and for agriculture, for immigrants' housing and for public works, for new ports and railroads and for highways, in short, partial plans, but not general planning.

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[1] W. K. Hancock and M. M. Gowing : *British War Economy*, London, His Majesty's Stationery Office, 1949, p. 19.

"Planning" means allocation of scarce resources with a view of bringing about an organic and coordinated development. This means that, for instance, the development of each branch of the economy should be adapted to that of those branches providing it with materials of production (including import) on the one hand, and those branches absorbing its output (including householders, investment needs and export outlets), on the other. Besides the technical economic interdependence of, say, field-crops and cattle breeding, of the cement industry and building activities, all or most economic branches compete in various fields one with the other. An important task of planning is to determine the extent of development of each branch to be allowed. The main fields of competition are: the investment capital available, the resources of foreign currency, man-power, particularly skilled labor, and the consumer's pound. Let us consider some examples.

A plan for building and public works amounting to LI. 80 or 90 million per year would require about three quarters of the investment capital available in 1950, according to the Plan. This would leave only LI. 30-40 million for the development of Agriculture, Manufacture and Transportation. In consequence, the development of the economy as a whole would be lopsided.

No instances are needed to illustrate the necessity of determining priorities of foreign currency and of skilled labor. But it might be useful to consider the interconnection of partial development to national expenditure on consumption.

For the sake of argument let us suppose a development plan for Agriculture which would lead, inter alia, to an output of milk of say, 200 liters per capita, as against below 100 liters at present. Such a target would by no means appear exaggerated, if considered from the nutritional point of view. But if such a plan would require an expenditure on food reaching, say, LI. 150 per capita per year, out of LI. 220,, the remaining LI. 70 would not suffice to buy shoes, clothing and services to an extent compatible with organic development of the industries producing those consumer goods and services. The consequence would be again a lopsided development, if not even unemployment and other signs of disequilibrium.

It follows that every plan for the development of a single branch of the economy presupposes a general plan as the basis of allocation of scarce resources and of coordination with the other branches.

B. SUMMARY

The tables appended to this text summarize the Four Year Development Plan. The Plan itself is composed of development plans for Manufacturing Industries, for Agriculture, for Building and Construction, and for Services (Commerce, Transportation and other Services). These four plans of the main branches of the economy are printed in separate pamphlets.

Analysis of the economic interrelations, by years

Table 1 shows the mutual relations among the major branches of the economy, among themselves, with consumers, with the government and with the rest of the world; similarly the relations to National Wealth is shown. The table summarizes —

a) the "input", that is the purchases of the branch in question from all other branches and from abroad, and the wages, profits and the interest earned by those contributing labor and capital respectively, to the branch;

b) the "output", that is the destination of the products of the branch in question to the other branches, and to abroad.

Occupational Structure

Table 2 shows the occupational structure of the potential earners within the population during the period of the Plan, 1950 to 1953, in comparison with authoritative estimates of previous years. I presumed than the percentage of the potential earners within the population will slightly decline from 39% in 1950 to 37% in 1953, as a result of the arrival of immigrants with large-sized families. The occupational structure displays the following mutations: the percentage of earners in the three productive branches, Agriculture, Manufacture and Building, constituting 41% of the potential earners in 1949 will rise to 42% in 1950, and 53.5% in 1953; this will be chiefly due to the relative increase of employment in Agriculture and Building; employment in Manufacture will maintain the level of 18-18.5% throughout the entire period. The number of earners in Manufacture is not likely to expand, relatively, because of the introduction of more efficient methods of production. The last item in the table, "Unemployed Would-be Earners in the Immigrant Camps", shows a decline from 42,000 in 1949 to 23,000 in 1950 and 10,000 in 1951. According to the Plan the camps will be liquidated in 1952 and 1953. The figures of this item were arrived at by subtracting the number of gainfully occupied from the total of potential earners. I did not take into account soldiers mobilized under the Draft Law, though there is among them a certain number of potential earners. In addition, mobilization of Reserves removes from normal employment a certain number of earners for one month each year. These two factors tend to vacate working places in the different economic branches, and to understate absorption by the armed forces. It can be assumed, therefore, that the residual item, "Unemployed Would-be Earners in the Immigrant Camps" will decrease in size during the next two years, and that in 1952 and 1953 there will even be a shortage of manpower, if the afforestation projects and public works assigned to these years will actually be realized.

Outlines of Development

Table 3 shows the development of the economy as a result of the realization of the Plan in the light of the following factors: National Income, Consumption and Saving; Investment and its Financing; Import, Export and Capital Net Import. The table presents the development in absolute figures (items 1 and 2), and according to percentage distribution of the factors (items 3 and 4). Part 5 shows the changes during the period of the Plan in the form of indexes. According to the table, the National Income will rise from LI. 303 million in 1950 to LI. 490 mililon in 1953; after deduction of direct taxes the income remaining in the hands of the public will rise from LI. 278 million in 1950 to LI. 442 million in 1953. Of these sums, LI. 264 million in 1950 and LI. 375 million in 1953, will be spent on current consumption. The residual of LI. 13.5 million in 1950 and LI. 67 million in 1953 will remain in the form of Saving (in and outside the banks). The percentage of Saving within the National Income will thus rise from 4.4% in 1950 to 13.7% in 1953. These figures represent personal saving of the public. In addition, beginning with 1951, the Government and Local Authorities will collect taxes above their current expenses. Thus the Government will achieve a current surplus which will rise from

LI. 5 million in 1951 to LI. 20 million in 1953. The Government will be able to use this surplus for the Defense Budget, or for the financing of investments.[1]

The total of Investment (additions to the Real National Wealth, square L10 in table 1) will be financed from the following three sources:

a) Depreciation funds; total depreciation as in table 1, square J 12;

b) Personal savings;

c) Surplus of revenues over expenditure of Government and Local Authorities.[2]

The table shows that Gross Investment will rise from LI. 125 million in 1950 to LI. 215 million in 1953, and Depreciation from LI. 33 million in 1950 to LI. 55 million in 1953. Net investment will thus rise from LI. 92.5 million to LI. 160 million. The sum total of Gross Investment for the four years of the Plan will amount to LI. 675 million, and that of Net Investment to LI. 503 million. In as much as personal savings and Government surplus will not suffice for the financing of Net Investment, the economy will require Capital Net Import from abroad. The table shows (items 2 and 4) that in 1950 the required Capital Net Import will reach LI. 79 million. The required sum falls in 1951 to LI. 76 million, rises in 1952 to LI. 80 million and drops in 1953 to LI. 73 million. The total of required Capital Net Import for the four year period will amount to LI. 308 million. Should Capital Net Import lag behind requirements, there will be no alternative but to reduce either consumption or investment, and at any rate, imports. The percentage of Capital Net Import as a source of financing Net Investment decreases from 85.5% in 1950 to 45% in 1953. This means that the Four Year Plan will not attain, nor can it attain, a "balanced" economy. Equilibrium between Import and Export can be achieved only when immigration will practically cease. It will, indeed, be a remarkable achievement for the Israel economy to raise its contribution to Net Investment in 1953 to 6½ times of that in 1950.

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[1] Defense Expenditure is included in the Plan only in so far as it is converted into incomes (regular army payments), into public works (fortifications, air-fields, barracks) and in so far as it is made up of purchases from local manufacturers (clothing, war industry etc.). Army vehicles are included in imports. All the remaining supplies (chiefly arms and ammunition from abroad) are not included in the Plan due to three reasons :

1) because ammunition and war equipment imports do not affect the Israeli economy to any appreciable degree ;
2) because these imports will not be financed by the Israeli economy, at least not for several years to come ;
3) because I could not receive reliable information in regard to the extent of these purchases.

[2] Government can mobilize savings in the form of internal loans. However, to the extent to which the surplus of Government revenue will rise due to loans, other forms of savings of the population will decrease. Hence I did not mention this possibility in the text.

National Income

Part 1 of table 4 shows the structure of the National Income according to the composition of its sources, that is the contribution of Agriculture, Manufacture, etc., to aggregate income. These figures are the total of the "value added" by each branch. "Value Added" contains, in addition to wages, salaries and profits received by the factors within the branch, also direct taxes levied by the Government and the Local Authorities, interest paid by enterprises to banks, and similar payments. The burden of interest is of particular importance in regard to incomes from Agriculture. Unfortunately, the available data do not enable us at present to estimate reliably the size of this factor. For the purpose of planning, this shortcoming is rather irrelevant.

Part 2 of the table reproduces the occupational structure shown in table 2, in order to facilitate the computation of per earner incomes in part 3.

The unemployed in the camps do not appear as income earners because their incomes (in money and kind) are "transfer payments", that is they are included in the incomes of other people who finance the maintenance of the camps through taxes, contributions, etc., or in Capital Net Import which finances the activities of the Jewish Agency for Palestine.

The income ("value added") per earner will rise from LI. 648 per year in 1950 to LI. 735 in 1953 or by 13.5%. Since the Plan is based on constant prices, the rise suggests the possibility of decreasing prices without affecting the real income. I shall discuss this matter further below.

Consumption

Table 5 analyzes the consumption of the population in households, restaurants, amusements, etc.

Part A shows the sources of supply, that is the extent to which consumers' expenditure flows into the pockets of the farmers, manufacturers, middlemen and transport-men, and to foreign countries. The table itemizes Consumption according to column 11 in table 1.

Part B shows the composition of Consumption according to kinds: food, clothing, etc.

Part C presents per capita consumption figures. The yearly per capita expenditure will decrease from LI. 220 in 1950 to LI. 208 in 1953. The decline of 6% does not pertain to the outlay on food but rather to —

a) the consumption of clothing and footwear (by LI. 5) in order to increase the export of textiles and fashion-goods and

b) private services (by LI. 14 as compared with a rise of LI. 6 in consumption of governmental services, etc., which will be discussed below; see notes to table 7). The decline in consumption of private services is a result of two tendencies. First, the Plan aspires to attain "productivization" of the population. Attaining the goals of the Plan will bring about a shifting of manpower from dispensable services like housework, to more essential branches. Secondly, the Plan takes into account the transfer to Government of part of the social services, like compulsory education and various kinds of social insurance.

Part D shows the percentage composition of consumption according to kinds. Of total consumption, food will amount in 1950 to 45% and in 1953 to 48%; clothing and footwear in 1950 to 13% and in 1953 to 12%. The percentage of services will decrease from 23% in 1950 to 21% in 1953.

Part E shows the composition of consumption according to kinds in several foreign countries. Since the computations of expenditure abroad are based on the official rate of exchange (for example: $ 2.80 = LI. 1) the amounts appear comparatively too small, in so far as prices there are lower than in Israel.

Nevertheless, the table indicates that in several of the countries enumerated, particularly in England, the percentage of expenditure on food and clothing is the same as in Israel; however, in the remainder of the countries listed in the table the percentage of expenditure on food is lower, and on clothing higher than in Israel.

Investment

Table 6 shows the investments required for the branches of production and for the population as a whole. In part A of the table investments were classified according to sources of suppply. For example, the contribution made by Agriculture consists of work on the expansion of plantations, of afforestation, of cattle breeding, and the like. The contribution of Manufacture consists of the output of investment goods including durable consumer goods, like furniture.

Part B of the table summarizes the investments according to destination, that is, according to the various branches receiving the investments.

Part C of the table itemizes the share of imports in investments. The share of imports will decline from 24% in 1950 to 17% in 1953, primarily due to the development of branches producing building material and investment goods which were till now imported (for example: irrigation pipes, profiles and automobiles).

Government and Local Authorities

Table 7 shows the revenue of the Government and Local Authorities according to sources. The payments made by Manufacture are the excise taxes levied on cigarettes and intoxicating liquors, in addition to customs duty and additional taxes levied on some imported goods in order to subsidize essential consumer goods such as sugar and other products. The payments from Commerce include business taxes collected by Local Authorities. Payments from Transportation consist mainly of customs duty and taxes collected on fuel, tires and spare parts. Customs duty and luxury tax levied on durable consumer goods, for example, refrigerators and radio sets, are included in the item "National Wealth". Consumer payments to Government are analyzed below (see note (3) to table 5 (b)).

The estimates of Government expenditure were based as far as feasible, on an analysis of the Budget for 1949/50, and on the presumed sales from the various branches of the economy to the Government. The item "National Income" includes the salaries of Government officials, etc., and the pay to professional soldiers. However, there are additional income payments not included in this item. The expenditure on services, to a large extent consists of salaries; similarly the incomes in Building contain wages and salaries paid out by Government for work on housing projects etc. Explanations to the remaining items are found in the notes appended to the table.

Import and Export

Table 8 shows the composition of imports and exports for the period of the Plan as indicated in row H and column 8, of table 1. While imports will increase from LI. 104.3 million in 1950 to LI. 136.3 million in 1953, a rise by 31%, exports will increase from LI. 25.2 million to LI. 63.7 million, a rise by 150%. The percentage of producer goods will reach 58% in 1950 and 68½% in 1953. The percentage of consumer goods will decline from 17% in 1950 to 14½% in 1953 due to both, replacement by local production and curtailment of non-essential imports.

TABLES

Table 1 (1950):

INPUT AND OUTPUT IN 1950

(Economic interconnections of the main branches)

(in I.L. millions)

INPUT ↓ OUTPUT ->		Agriculture (including irrigation)	Manufacture (including generation of power)	Building and Construction	Commerce	Trans-portation	Services	Government	Export	Fuel	National Wealth	Consumption and Payment of Direct Taxes	TOTAL
	Square	1	2	3	4	5	6	7	8	9	10	11	12
Agriculture (including irrigation)	A	9.7	7.2	0	0	0.2	0	0	5.9	0	3.3	32.4	58.7
Manufacture (including generation of power)	B	3.9	36.7	19.7	3.0	2.0	1.5	3.7	9.4	0	20.7	84.1	184.7
Building and Construction	C	0	0	0	0	0	0	0	0	0	65.2	0	65.2
Commerce	D	1.5	5.5	2.3	0	1.8	0	0.6	0.8	1.2	6.7	42.2	62.6
Transportation	E	0.8	-2.5	7.0	1.0	0.4	0.8	2.6	6.0	0.3	1.5	13.1	36.0
Services	F	0.5	2.8	0	4.3	0.2	1.0	10.0	3.1	0	0	50.9	72.8
Government	G	0	10.0	0	3.4	5.3	0.5	0	0	1.7	2.6	37.5	61.0
Import	H	7.3	35.6	4.7	0	3.9	0.5	5.0	0	3.9	25.2	18.2	104.3
Fuel	I	0.5	3.6	0	0	1.6	0	0	0	0	0	1.4	7.1
National Wealth	J	4.2	8.0	0	1.0	2.5	0	7.0	0	0	0	10.0	32.7
National Income	K	30.3	72.8	31.5	49.9	18.1	68.5	32.1	0	0	0	0	303.2
Total	L	58.7	184.7	65.2	62.6	36.0	72.8	61.0	25.2	7.1	125.2	289.8	

Table 1 (1951) :

INPUT AND OUTPUT IN 1951

(Economic interconnections of the main branches)

(in LI. millions)

OUTPUT –> INPUT — V		Agriculture (including irrigation)	Manufacture (including generation of power)	Building and Construction	Commerce	Transportation	Services	Government	Export	Fuel	National Wealth	Consumption and Payment of Direct Taxes	TOTAL
	Square	1	2	3	4	5	6	7	8	9	10	11	12
Agriculture (including irrigation)	A	12.1	8.9	0	0	0.3	0	0	7.0	0	5.6	40.6	74.5
Manufacture (including generation of power)	B	4.9	44.7	24.3	3.5	3.7	1.7	4.3	13.2	0	24.4	95.0	219.7
Building and Construction	C	0	0	0	0	0	0	0	0	0	88.0	0	88.0
Commerce	D	2.0	6.2	3.7	0	2.2	0	0.7	1.3	1.3	7.0	49.0	73.4
Transportation	E	1.0	3.0	8.9	1.2	0.6	0.9	3.0	9.7	0.4	1.6	14.2	44.5
Services	F	0.6	3.1	0	4.8	0.3	1.2	13.0	5.3	0	0	55.4	83.7
Government	G	0	11.6	0	3.7	5.7	0.7	0	0	2.0	2.5	51.8	78.0
Import	H	8.7	40.6	7.5	0	4.6	0.6	6.0	0	4.5	20.0	19.9	112.4
Fuel	I	0.6	4.3	0	0	1.7	0	0	0	0	0	1.6	8.2
National Wealth	J	4.7	9.5	0	1.2	3.4	0	8.0	0	0	0	12.0	38.8
National Income	K	39.9	87.8	43.6	59.0	22.0	78.6	38.0	0	0	0	0	368.9
Total	L	74.5	219.7	88.0	73.4	44.5	83.7	73.0	36.5	8.2	149.1	339.5	

Table 1 (1952) :

INPUT AND OUTPUT IN 1952

(Economic interconnections of the main branches)

(in LI. millions)

INPUT ↓ OUTPUT →		Agriculture (including irrigation)	Manufacture (including generation of power)	Building and Construction	Commerce	Trans-portation	Services	Government	Export	Fuel	National Wealth	Consumption and Payment of Direct Taxes	TOTAL
	Square	1	2	3	4	5	6	7	8	9	10	11	12
Agriculture (including irrigation)	A	15.9	10.9	0	0	0.4	0	0	8.8	0	6.7	49.9	92.6
Manufacture (including generation of power)	B	6.1	52.0	29.6	4.0	4.7	1.8	4.8	17.1	0	28.8	105.0	253.9
Building and Construction	C	0	0	0	0	0	0	0	0	0	112.4	0	112.4
Commerce	D	2.3	6.9	5.3	0	2.5	0	0.8	1.8	1.6	7.3	53.6	82.1
Transportation	E	1.2	3.2	10.7	1.4	0.7	1.0	3.5	12.9	0.4	1.8	16.0	52.8
Services	F	0.8	3.7	0	5.4	0.4	1.4	16.0	7.7	0	0	57.3	92.7
Government	G	0	13.1	0	4.1	6.2	0.9	0	0	2.3	1.7	66.7	95.0
Import	H	10.1	44.9	9.0	0	4.9	0.8	6.0	0	5.2	27.4	20.3	128.6
Fuel	I	0.8	5.1	0	0	1.9	0	0	0	0	0	1.7	9.5
National Wealth	J	5.5	10.7	0	1.4	4.2	0	10.0	0	0	0	14.0	45.8
National Income	K	49.9	103.4	57.8	65.8	26.9	86.8	39.1	0	0	0	0	429.7
Total	L	92.6	253.9	112.4	82.1	52.8	92.7	80.2	48.3	9.5	186.1	384.5	

Revue tableau à l'italienne = 41 c.c.

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~~Table 1 (1953)~~: TABLE VI. PLANNED INPUT AND OUTPUT, [redacted] ISRAEL, 1953 (10 l.c)

[redacted]

(in £I. millions) 8 it

(14 c.)

OUTPUT → INPUT ↓		Agriculture (including irrigation)	Manufacture (including generation of power)	Building and Construction	Commerce	Transportation	Services	Government	[illegible]	Fuel	National Wealth	Consumption and Payment of Direct Taxes	Total
		~~1~~	~~2~~	~~3~~	~~4~~	~~5~~	~~6~~	~~7~~	~~8~~	~~9~~	~~10~~	~~11~~	~~12~~
		(28)	(28)	(28)									
Agriculture (including irrigation)	A	20.8	13.7	0	0	0.5	0	0	10.0	0	8.7	59.4	113.1
Manufacture (including generation of power)	B	7.0	61.0	31.7	4.5	6.1	2.0	4.8	22.2	0	35.8	118.7	293.8
Building and Construction	C	0	0	0	0	0	0	0	0	0	136.3	0	136.3
Commerce	D	2.5	8.2	5.5	0	3.3	0	0.8	2.4	1.8	[illegible]	60.0	92.1
Transportation	E	1.3	3.9	11.7	1.6	0.8	1.1	4.0	18.0	0	1.6	18.4	62.9
Services	F	1.0	4.0	0	6.0	0.6	1.4	18.0	11.1	[illegible]	0	52.0	94.1
Government	G	0	15.2	0	4.6	6.7	1.0	0	0	2.6	1.7	76.2	108.0
Import	H	11.4	49.6	12.5	0	5.9	0.8	7.0	0	6.1	23.2	19.8	136.3
Fuel	I	1.1	6.0	0	0	2.0	0	0	0	0	0	1.9	11.0
National Wealth	J	6.3	12.6	0	1.6	5.5	0	13.0	0	0	0	16.0	55.0
National Income	K	61.7	119.6	74.9	73.8	31.5	87.8	40.3	0	0	0	0	489.6
Total	L	113.1	293.8	136.3	92.1	62.9	94.1	87.9	63.7	11.0	214.9	422.4	

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⑥ Source: A. L. Gruenbaum: Four Year Development Plan of Israel, 1950-1953 (Jerusalem, Prime Minister's Office, 1951), p.34.

(x 41)

Notes to Table 1 (1950 *to* 1953).

1. The horizontal rows (marked by letters A, B, C, etc.) denote the output of each branch, i.e., the markets in which the products of the branch in question are sold, the payments Government and Local Authorities receive (row G), and the distribution of imports (row H). Row J describes the contribution of Real National Wealth to the various branches, i.e., the depreciation of durable goods, including dwelling houses.

The vertical columns (marked by figures, 1 to 12) denote the input for each branch, that is, the source of raw-materials and services required for production. Column 10 shows the output of investment goods from each branch and from abroad; their total forms the gross addition to Real National Wealth during the year.

2. While equal sums are shown in row A and column 1 (output and input of Agriculture), in row B and column 2, in row C and column 3, and so on, differences appear in the succeeding pairs of rows and columns as follows:—

(In LI. millions)

	1950	1951	1952	1953
a) Row H: Import	104.3	112.4	128.6	136.3
Column 8: Export	25.2	36.5	48.3	63.7
Difference	79.1	75.9	80.3	72.6

The difference, that is the import surplus, denotes at the same time Capital Net Import (Capital Import less Capital Export), required to finance the deficit in the visible and invisible items of the balance of payments. Capital Net Import may consist of investment capital imported, capital repatriation, decrease of foreign assets, gifts and contributions from abroad, and foreign loans received.

	1950	1951	1952	1953
b) Square L 10: additions to Real National Wealth	125.2	149.1	186.1	214.9
Less square J 12 decrease of Real National Wealth by depreciation	32.7	38.8	45.8	55.0
Leaves Net Investment	92.5	110.3	140.3	159.9

The depreciation on National Wealth can be estimated only in approximate terms due to difficulties in evaluating past investments.

c) Row K summarizes National Incomes by sources.

Column 11 shows Consumption according to sources of supply, as follows :—

	1950	1951	1952	1953
Square K 12 — National Income	303.2	368.9	429.7	489.6
Less : direct taxes	25.4	33.5	41.9	47.8
Disposable Income	277.8	335.4	387.8	441.8
Square L 11 — Consumption and direct taxes	289.8	339.5	384.5	422.4
Less : direct taxes	25.4	33.5	41.9	47.8
Consumption	264.4	306.0	342.6	374.6
Difference between Disposable Income and Consumption = Personal savings	13.4	29.4	45.2	67.2
d) Row G = Current revenue of Government and Local Authorities	61.0	78.0	95.0	108.0
Column 7 = current expenditures of Government and Local Authorities	61.0	73.0	80.2	87.9
Surplus of current revenue over curent expenditure	—	5.0	14.8	20.1

NOTES TO THE SQUARE OF THE TABLES

Square

A 1- -12 "Agriculture" includes irrigation installations on farms and the current expenditures on irrigation. Investments in irrigation projects are part of the output of Building and Construction.

A 5 It is assumed that a certain amount of food supplies from agriculture is consumed on Israeli boats and planes. The output to consumption (A 11) was reduced, therefore, by the sums inserted in square A 5.

E 1
K 1 On account of business travel: The input of Agriculture from Transportation was increased and the sum deducted from the income of Agriculture, as follows :—

	1950	1951	1952	1953
(in LI. million)	0.1	0.1	0.2	0.2

Square

E 2 On account of business travel: The input of Manufacture from
F 2 Transportation was increased and the sum deducted from the input
of Manufacture from Services, as follows:

	1950	1951	1952	1953
(in LI. million)	0.2	0.3	0.3	0.4

E 3 On account of business travel: The input of Building and construction
K 3 from Transportation was increased and the sum deducted from the
income of Building, as follows:—

(in LI. million)	0.2	0.3	0.3	0.4

E 4 On the account of business travel: The input of Commerce from
K 4 Transportation was increased and the sum deducted from the income
of Commerce, as follows: —

(in LI. million)	1.0	1.2	1.4	1.6

E 5 On account of business travel: The input of Transportation from
K 5 Transportation was increased and the sum deducted from the income of
Transportation as follows: —

(in LI. million)	0.1	0.2	0.3	0.2

E 6 On account of business travel: The input of Services from Trans-
K 6 portation was increased and the sum deducted from the income of Services,
as follows. —

(in LI. million)	0.8	0.9	1.0	1.1

E 11 The sum is composed as follows (in LI. millions).

Transport of consumer goods (part of the price margin)	5.6	5.4	6.0	6.7
Non-business travel	7.5	8.8	10.0	11.7
	13.1	14.2	16.0	18.4

E 12 The total of output of Transportation is composed as follows: —
(in LI. million)

Transportation of goods (part of the price margin)	17.9	20.5	23.5	26.1
Travel	18.1	24.0	29.3	36.8
Total	36.0	44.5	52.8	62.9

F 6 Gross estimate.

F 8 The export of Services is composed of the assumed expenditure of tourists from abroad in hotels, restaurants and amusement enterprises less similar expenditure of Israelis abroad.

Square

F 12 The total output of the Services was computed by adding the total income derived from them (K 6) to the remainder of the input items (B 6 to J 6). See note to E 6 and K 6.

G 6 Gross estimate.

G 11 The sum represents the residual after deducting the remaining output sums from the grand total of Government revenue (G 12).

G 12

(in LI. million) —	1950	1951	1952	1953
Government revenue (does not include proceeds from ports and railroads which are included in Transportation) —	50.8	65.0	79.2	90.0
Income of Local Authorities (net of Government subsidies and loans) —	10.2	13.0	15.8	18.0
Total current revenue of Government and Local Authorities	61.0	78.0	95.0	108.0

H 5 Import of fuel and spare parts for automobiles and railroads only. Re the import of fuel for other users, see H 9.

H 9 Import of fuel, less fuel for automobiles and railroads. See note to H 5.

H 11 Import of consumer goods, composed as follows :—

Finished food products	11.1	11.5	10.7	9.0
Other consumer goods	7.1	8.4	9.6	10.8
Total	18.2	19.9	20.3	19.8

I 5 Fuel for transportation, other than transportation on land.

I 11 Kerosene.

J 7 Gross estimate of depreciation of public buildings and equipment.

J 11 Gross estimate of depreciation of residential dwelling houses and durable consumer goods (furniture etc.). The increases of the amounts in the years following 1950 are estimated at four to five percent of the additional investment in the preceding year, in dwelling houses and in durable consumer goods.

Square	
J 4	Gross estimate of depreciation on commercial stores, etc., which is included in the rent, or paid by the store-owner, or which the store-owner should charge to curernt expenditure. The remainder of the rent for stores is included in the input of Services to Commerce (square F 4), and is therefore found in the income of Services (square K 6).

Table 2

OCCUPATIONAL STRUCTURE OF THE POPULATION

	According to the Statistical Departments of the Jewish Agency and of the Governments					According to the Development Plan							
	1939	1945	1947	1949		1950		1951		1952		1953	
	%	%	%	'000	%	'000	%	'000	%	'000	%	'000	%
Agriculture (including forestry)	19.3	10.7	12.2	47	13.1	73	15.6	94	17.7	115	19.4	144	21.6
Manufacture	19.8	29.3	25.5	79	21.9	86	18.4	99	18.6	108	18.2	122	18.3
Building, Public Works	7.3	2.9	5.7	22[a]	6.1	38	8.1	52	9.8	69	11.7	90	13.5
Transportation [b]	5.2	5.3	6.0	22	6.1	22	4.7	27	5.1	32	5.4	38	5.7
Commerce	14.1	15.6	15.2	61	17.0	77	16.5	85	16.0	95	16.0	104	15.6
Finance	5.7	3.6	3.4			12	2.6	13	2.5	14	2.3	14	2.1
Professions	10.9	10.2	10.4	36	10.0	40	8.5	45	8.5	50	8.4	55	8.3
Civil Service	5.2	6.7	6.3	23	6.4	30	6.4	32	6.0	33	5.6	34	5.1
Work for Armed Forces		3.7	4.1	[c]									
Personal Services (including Restaurants & Hotels)	7.3	7.8	7.0	24	6.7	33	7.0	36	6.8	40	6.7	42	6.3
Miscellaneous	5.2	4.2	4.2	4	1.1	34	7.2	39	7.2	36	6.3	23	3.5
Unemployed in Immigrants' Camps				42	11.6	23	5.0	10	1.0				
Total Earners, Actual and Potential	100.0	100.0	100.0	360	100.0	468	100.0	532	100.0	592	100.0	666	100.0
Earners as Percentage of Population	40.4	42.5	41.1		40.0		39.0		38.0		37.0		37.0
Total Population (in '000)						1,200		1,400		1,600		1,800	

(a) Work of civilians for Armed Forces is included in the item Building and Public Works.

(b) Does not include Postal Services, etc.

(c) Regular Army is not yet included.

Table 3

OUTLINES OF DEVELOPMENT

(in LI. '000)

1. *National Income*	1950	1951	1952	1953
Consumption and Saving				
11 Personal income —				
Total	303,200	368,900	429,700	489,600
Less: direct taxes	25,400	33,500	41,900	47,800
Remains: disposable income	277,800	335,400	387,800	441,800
12 Consumption	264,400	306,000	342,600	374,600
13 Personal saving (11 less 12)	13,400	29,400	45,200	67,200
14 Current revenue of Government (a)	61,000	78,000	95,000	108,000
Expenditure of Government	61,000	73,000	80,200	87,900
Government revenue surplus	0	5,000	14,800	20,100
15 Personal saving plus surplus of Government (13 + 14)	13,400	34,400	60,000	87,300
2. *Investment and its Financing*				
21 Import	104,300	112,400	128,600	136,300
Export	25,200	36,500	48,300	63,700
Import surplus equals required Capital Net Import	79,100	75,900	80,300	72,600
22 Gross Investment	125,200	149,100	186,100	214,900
Less: depreciation	32,700	38,800	45,800	55,000
Remains: Net Investment	92,500	110,300	140,300	159,900
23 Required Capital Net Import	79,100	75,900	80,300	72,600
Plus total saving (15)	13,400	34,400	60,000	87,300
Total supply of investment capital	92,500	100,300	140,300	159,900
3. *Composition of National Income* (in percentages)				
31 Direct taxes	8.4	9.1	9.8	9.8
32 Consumption	87.2	82.9	79.7	76.5
33 Personal saving	4.4	8.0	10.5	13.7
34 Total National Income	100.0	100.0	100.0	100.0

(a) "Government" includes Local Authorities.

4. *Saving and Capital Net Import in percentage of Net Investment —*

	1950	1951	1952	1953
41 Personal savings	14.5	26.7	32.2	42.0
42 Surplus of Government revenue	—	4.5	10.6	12.6
43 Capital Net Import	85.5	68.8	57.2	45.4
44 Net Investment	100.0	100.0	100.0	100.0

5. *Indices of development*

Population	100	117	133	150
1. National Income				
11 Personal income	100	122	142	161
Direct taxes	100	132	165	188
Disposable income	100	121	140	159
12 Consumption	100	116	130	142
13 Personal saving	100	219	337	501
14 Government revenue	100	128	156	177
Government expenditure	100	120	131	144
15 Saving and Government revenue surplus —	100	257	448	652
2. Investment				
21 Import surplus, equals required Capital Net Import —	100	95	101	91
22 Gross Investment	100	119	149	172
Net Investment	100	119	152	173

Table 4

NATIONAL INCOME AND EXPENDITURE

	1950	1951	1952	1953
1. National Income, according to sources (in LI. '000)				
Agriculture	30,300	39,900	49,900	61,700
Manufacture	72,800	87,800	103,400	119,600
Building	31,500	43,600	57,800	74,900
Transportation	18,100	22,000	26,900	31,500
Commerce	49,900	59,000	65,800	73,800
Other Services —				
Finance, Rentiers	8,800	9,500	10,400	10,500
Professions	31,700	37,300	42,500	47,300
Civil Service	19,500	21,100	22,100	23,100
Personal service (including restaurants and hotels)	19,800	23,000	26,400	28,600
Miscellaneous	20,800	25,700	24,500	18,600
Total	303,200	368,900	429,700	489,600
2. *Earners* (in '000)				
Agriculture	73	94	115	144
Manufacture	86	99	108	122
Building, Public Works	38	52	69	90
Transportation	22	27	32	38
Commerce	77	85	95	104
Finance, Rentiers	12	13	14	14
Professions	40	45	50	55
Civil Service	30	32	33	34
Personal service (including restaurants and hotels) —	33	36	40	42
Miscellaneous	34	39	36	23
Unemployed inhabitants of immigrant camps —	23	10	—	—
Total earners, actual and potential —	468	532	592	666

3. *Income per Earner* (in LI.)	1950	1951	1952	1953
Agriculture	415	425	435	430
Manufacture	850	890	950	980
Building	830	840	840	840
Transportation	825	825	840	835
Commerce	660	720	720	740
Other Services —				
Finance	730	735	740	750
Professions	800	830	850	860
Public Service	650	660	670	680
Personal Service	600	640	660	680
Miscellaneous	610	660	680	810
Average per earner	648	693	726	735
Index	100	107	112	113½

4. *Income, Consumption, Direct Taxes and Personal Saving, Total* (in LI. million)

	1950	1951	1952	1953
41 National Income	303.2	368.9	429.7	489.6
42 Direct Taxes	25.4	33.5	41.9	47.8
43 Disposable Income (41 less 42)	277.8	335.4	387.8	441.8
44 Consumption	264.4	306.0	342.6	374.6
45 Personal Saving (43 less 44)	13.4	29.4	45.2	67.2

5. *Income, Consumption, Payment of Direct Taxes and Personal Saving per Capita* (in LI.)

	1950	1951	1952	1953
51 National per capita Income	252.7	263.5	268.4	272.0
52 Direct taxes	21.2	23.9	26.2	26.6
53 Disposable Income	231.5	239.6	242.4	245.4
54 Consumption	220.3	218.6	214.1	208.1
55 Personal Saving	11.2	21.0	28.3	37.3

6. *Consumption, Direct Taxes and Personal Saving as shares of the National Income* (in percentages)

	1950	1951	1952	1953
61 National income	100.0	100.0	100.0	100.0
62 Direct taxes	8.4	9.1	9.8	9.8
63 Disposable income	91.6	90.9	90.2	90.2
64 Consumption	87.2	82.9	79.7	76.5
65 Personal saving	4.4	8.0	10.5	13.7

Notes to paragraphs 4 and 6

1) Items 43, 53 and 63 "Disposable Income" do not include the relief payments by Government and Local Authorities. Nor do they include other incomes from transfer payments. It is difficult to estimate the size of these incomes but it can be assumed that they are relatively small. At any rate, the consumption of the recipients of these transfer incomes appears in the total of Consumption. Ommission of transfer incomes and the inclusion of the consumption of the recipients of these incomes tend to undervalue personal saving (items 45, 55, 65). This undervaluation affords some safeguard against the risk of an overestimate of the item Personal Saving.

2) The assumption that transfer payments as far as they are financed by Government and Local Authorities are a negligible sum is based upon the following reasoning. Consumption of the inhabitants of the Immigrant Camps forms most of the transfer incomes in Israel. They receive most of their necessities from the Jewish Agency and not from the Government, in kind and not in money. The Jewish Agency finances the expenditure from the proceeds of the National Funds, that is from capital import. Since the figures for Net Import cover the whole deficit in local financing of consumption and investment, they include also the bulk of consumption of the camp inmates. In the future, when we shall have a system of Government social insurance working for some years, transfer payments will no longer be a negligible item.

Table 5

CONSUMPTION

	1950	1951	1952	1953
a) *Consumption according to sources* (in LI. million)				
Agriculture = (at prices ex farm / factory)	32.4	40.6	49.9	59.4
Manufacture = (at prices ex farm / factory)	84.1	95.0	105.0	118.7
Commerce	42.2	49.0	53.6	60.0
Transportation	13.1	14.2	16.0	18.4
Services	50.9	55.4	57.3	52.0
Government and Local Authorities				
Total payments by consumers	37.5	51.8	66.7	76.2
Less: direct taxes	25.4	33.5	41.9	47.8
Payment for Services and indirect taxes —	12.1	18.3	24.8	28.4
Imports (at prices c.i.f.)	18.2	19.9	20.3	19.8
Fuel	1.4	1.6	1.7	1.9
National Wealth (depreciation)	10.0	12.0	14.0	16.0
	264.4	306.0	342.6	374.6
b) *Consumption according to kinds* (in LI. '000)				
1 *Food*				
11 From Agriculture[1]	32,400	40,700	49,900	59,400
12 From Manufacture	42,100	47,700	53,400	62,100
13 Margin on 11	16,300	19,650	23,100	26,950
14 Margin on 12	10,500	11,900	13,000	15,400
15 Food Imports	11,160	11,480	10,720	9,000
16 Margin on 15	5,580	5,740	5,360	4,500
17 Customs duty on 15 —	1,100	1,100	1,100	900
18 Total of 1	119,140	138,270	156,580	178,250
2 *Clothing and Footwear*				
21 From Manufacture	27,100	29,400	31,000	33,700
22 Margin	8,100	8,800	9,000	10,100
23 Total of 2	35,200	38,200	40,000	43,700

	1950	1951	1952	1953
3 *Other consumer goods (including electricity for households)*				
31 From Manufacture	14,900	17,900	20,600	22,900
32 Margin on 31	3,900	4,100	4,300	4,500
33 Imports	7,080	8,400	9,600	10,800
34 Margin on 33	3,540	4,200	4,800	5,400
35 Customs Duty on 33	700	840	960	1,100
36 Total of 3	30,120	35,440	40,260	44,700
4 *Transportation and fuel*				
41 Transportation	7,436	8,800	10,166	11,638
42 Fuel	1,400	1,600	1,700	1,900
43 Total of 4	8,836	10,400	11,866	13,538
5 *Services*				
51 Personal services [2]	50,900	55,400	57,300	52,000
52 Government services [3]	10,200	16,300	22,600	26,400
53 Total of 5	61,100	71,700	79,900	78,400
6 Depreciation of dwelling houses [2]	10,000	12,000	14,000	16,000
7 Total Consumption	264,396	306,010	312,606	374,588

Notes : b) Consumption according to kinds.

[1] The figures for consumption from Agriculture are slightly lower than the figures appearing in the output of the Plan for Agriculture. The differences represent the quantities of food which will be purchased by boats and airplanes for their passengers.

[2] Personal services include the part of rents remaining after the deduction of depreciation on dwelling houses. The depreciation appears as a sparate item (6).

[3] *Government Services.* This paragraph includes all the services rendered by the Government and Local Authorities to the consumers. It includes not only social services (education, health, relief) but also supply of water, postal services, judicial and administrative services. The figures in this paragraph were arrived at in the following manner:

	1950	1951	1952	1953
Consumers' payments to the Government	37.5	51.8	66.7	76.2
Less: direct taxes	25.4	33.5	41.9	47.9
Customs duty and other indirect taxes on food	1.1	1.1	1.1	1.1
Customs duty and other indirect taxes on other consumer goods —	0.8	0.9	1.1	1.0
Total deductions	27.3	35.5	44.1	49.8
Residual: payments for services	10.2	16.3	22.6	26.4

Let us examine the estimate for 1950 of Government services etc. to consumers equalling Ll. 10,200,000.

The following appropriations to the Ministries concerned appear in the Government Budget for 1949/50:

Ministry of —	*Budget* (in Ll. '000)
Health	2,000
Religion	420
Education	2,786
Justice	560
Relief	1,035
Absorption of immigrants	
Health	1,450
Relief	550
	8,801

This sum includes in addition to public services other expenditure, on investment and on general administration. On the other hand, the services rendered by the Local Authorities which are of considerable size, are not included.

An analysis of the Budget of the Local Authorities for 1949/50 (the figures do not show the appropriations of twelve towns and settlements) shows that out of Ll. 14.8 million the following allocations were made: (in Ll. '000)

to social services, health,. education etc.	5,050
to relief	1,245
total	6,295

According to the Plan, the allocations for Government services to consumers will rise from LI. 10,200,000 in 1950 to LI. 26,400,000 in 1953. The rise shown intends to reflect the expansion of social services: education, health and relief. It is noteworthy that the "Inter-Departmental Planning Committee for Social Insurance" according to its report of January 1950, allocates for 1950 LI. 24,277,000 as expenditure for a population of 1,150,000; of this sum the part of Government and Local Authorities' allocations will amount to LI. 7,833,000. These figures do not include, obviously, expenditure on education. However, they do contain unemployment insurance, and several other kinds of social insurance which do not exist at present.

Though these figures cannot allow an exact check of the estimates of the Plan, they, nevertheless, lead to the conclusion that the Plan targets are rather on the low side.

	1950	1951	1952	1953
c) *Consumption* (in LI. per capita) —				
1 Food	99.279	98.766	97.863	99.036
2 Clothing and footwear	29.332	27.286	25.000	24.280
3 Other consumer goods	25.099	25.315	25.163	24.835
4 Transportation and fuel	7.363	7.429	7.416	7.521
5 Services —				
51 Personal services	42.415	39.572	35.812	28.891
52 Government services	8.500	11.643	14.125	14.668
53 Total 5	50.915	51.215	49.937	43.559
6 Dwelling houses	8.333	8.572	8.750	8.890
7 Total Consumption	220.321	218.583	214.129	208.121
d) *Composition of Consumption* (in percentage)				
1 Food	45.1	45.2	45.7	47.6
2 Clothing	13.3	12.5	11.7	11.7
3 Other consumers' goods	11.4	11.6	11.8	11.9
4 Transportation and fuel	3.3	3.4	3.5	3.6
5 Services —				
51 Personal services	19.3	18.1	16.7	13.9
52 Government services	3.8	5.3	6.6	7.0
53 Total 5	23.1	23.4	23.3	20.9
6 Dwelling Houses (Depreciation)	3.8	3.9	4.0	4.3
7 Total Consumption	100.0	100.0	100.0	100.0

(c) *Consumption in other countries according to kinds*

	1948 U.S.A. in LI. per capita	%	1948 U.K. in LI. per capita	%	1948 Sweden in LI. per capita	%	1948 Holland in LI. per capita	%	1948 Denmark in LI. per capita	%
1 Food	146	36.5	75	46	72	41	41	40	68	41
2 Clothing	53	13	17	11	32	18	18	17	26	16
3 Other consumer goods	23[1]	5	10[1]	6	21[5]	12	23[5]	22	45[3]	26
4 Transportation and fuel	58[2]	15	16[4]	10	16[4]	9	9[6]	8	10	6
5 Services	54	13.5	21	14						
6 Rents	35	9	12	8	15	9	6	6	18	11
7 Total 1—6	369	92	151	95	156	89	97	93	167	100
8 Durable consumer goods	31	8	9	5	20	11	7	7		
9 Total 7+8	400	100	160	100	176	100	104	100	167	100

Notes:

Expenditure abroad was computed in terms of LI. according to the official rate of exchange, as for example $ 2.80=LI. 1, etc.

[1] Miscellaneous

[2] Fuel and light — LI. 14.
Travel etc. — LI. 44.

[3] Includes services to consumers and durable consumer goods.

[4] Fuel and light — LI. 7.
Travel etc. — LI. 9.

[5] Includes Services.

[6] Fuel — LI. 6.
Travel etc. — LI. 3.

Source of figures for foreign countries: *Monthly Bulletin of Statistics*, Statistical Office of the United Nations, New York, N.Y., February, 1950.

Table 6

INCREMENTS TO INVESTMENT

a) *According to Sources of Suppply*

		1950	1951	1952	1953
1 Agriculture	(Output of investment goods at prices ex farm/factory	3.3	5.6	6.7	8.7
2 Manufacture		20.7	24.4	28.8	35.8
3 Building and construction		65.2	88.0	112.4	136.3
4 Commerce	(Margin on items 1, 2 and 7)	6.7	7.0	7.3	7.6
5 Transportation		1.5	1.6	1.8	1.6
6 Government (customs duty)		2.6	2.5	1.7	1.7
7) Imports (at prices C.I.F.)		25.2	20.0	27.4	23.2
8 Total Increments to Investment		125.2	149.1	186.1	214.9

b) *According to kinds*
(Destination of Increments to Investments)

		1950		1951		1952		1953
1 Agriculture		13,557		14,245		17,598		19,253
Forestry		1,517		2,652		3,260		4,014
Total 1		15,074		16,897		20,858		23,267
2 Manufacture		15,600		15,100		20,120		19,060
3 Transportation by								
31 Air: Airplanes		1,300		600		600		1,000
32 Water: shipping	3,000		3,000		4,000		5,000	
ports	1,414		2,000		3,000		3,800	
total 32		4,414		5,000		7,000		8,800
33 Railroads: equipment[1]		285		200		200		200
construction of railroads		1,400		1,500		1,500		1,200
		1,685		1,700		1,700		1,400

	1950	1951	1952	1953
Transportation, carried over	7,399	7,300	9,300	11,200
34 Motor cars	9,212	7,196	8,103	6,702
35 Postal services, equipment [2]	47	50	50	50
36 Total Transportation	16,658	14,546	17,453	17,952
4 Commercial buildings	300	400	500	600
5 Services:				
51 Hotels	2,000	3,500	5,000	5,700
52 Investment goods	500	700	800	1,200
53 Total 5	2,500	4,200	5,800	6,900
6 Government [6]				
61 Public buildings	4,100	5,500	7,000	8,900
62 Public works	6,000	5,500	5,000	5,500
63 Irrigation projects	5,000	4,000	4,000	4,000
64 Equipment	900	1,100	1,200	1,400
65 Total 6	16,000	16,100	17,200	19,800
7 Consumption				
Housing	40,000	60,000	80,000	100,000
72 Durable consumer goods [8]	19,070	21,900	24,130	27,300
73 Total 7	59,070	81,900	104,130	127,300
8 Total Increments to Investment	125,202	149,143	186,061	214,879

c) Imports within Increments to Investment by kinds

1 Agriculture:				
Machinery and materials —	6,768	6,124	7,066	4,211
Building materials for farm buildings (6.7%)	200	210	220	250
Total 1	6,968	6,334	7,286	4,461
2 Manufacture: Machinery	7,500	5,850	9,620	7,850
Building materials (6.7%)[4]	135	160	200	190
Total 2	7,635	6,010	9,820	8,040

	1950	1951	1952	1953
3 Transportation				
31 Air-transportation	1,000	500	500	1,000
Air-fields (10%)[4]	30	10	10	0
32 Water-transportation, ships	2,600	2,500	3,400	4,400
Ports (50% of building and all the equipment)[4]	614	1,000	1,500	2,100
33 Railroads: equipment	285	200	200	200
Construction	280	300	300	240
34 Motor-cars	4,400	3,680	2,125	1,600
35 Postal services, equipment	47	50	50	50
36 Adjustments[5]	+100	—1,600	+1,400	+500
37 Total of 3	9,356	6,640	9,485	10,090
4 Commerce: Office buildings[4]	20	30	35	40
5 Services — hotels[4]	140	240	340	380
6 Government —[6]				
61 Public buildings (about 10%)[4]	360	550	700	940
62 Public works (10%)[4]	500	550	500	650
63 Irrigation Projects (12%)[4]	500	480	480	580
64 Total 6	1,360	1,580	1,680	2,170
7 Consumption				
71 Housing (5—7%)[4]	2,135	3,970	4,715	7,130
72 Durable consumer goods	2,280	2,660	3,040	3,420
73 Total 7	4,415	6,630	7,755	10,550
8 Total imports in Increments to Investment, composed of —	29,894	27,464	36,401	35,731
81 Building materials	4,700	7,500	9,000	12,500
82 Other investment goods	25,194	19,964	27,401	23,231

Notes:

[1] *Equipment for railroads.* The sum for 1950 according to the proposal of the Ministry of Communications for the Development Budget. The figures for the following years are estimates.

[2] Equipment for the postal services; as above.

[3] Durable consumer goods. The composition was estimated as follows:

	1950	1951	1952	1953
31 From Manufacture	11,300	13,400	15,200	17,200
plus margin of commerce and transportation	3,400	3,400	3,100	3,550
	14,700	16,800	18,300	20,750
32 Imports	2,280	2,660	3,040	3,420
margin	1,250	1,460	1,665	1,870
customs duty	840	980	1,125	1,260
	4,370	5,100	5,830	6,550
33 Total (31 + 32)	19,070	21,900	24,130	27,300

[4] The percentage of building material according to the Development Plan for Building and Construction.

[5] Paragraph 36, Adjustments, removes the differences arising between the demand for investment goods and their output by local industries. In 1950, it will be necessary to import LI. 100,000 more investment goods than stated in items 31—35. The adjustment in 1951 indicates that local Manufacture will produce during that year investment goods for investment in 1952 and 1953. During the four years, it is necessary to import IL. 400,000 more investment goods than stated.

[6] "Government" includes Local Authorities and National Funds.

Table 7

GOVERNMENT AND LOCAL AUTHORITIES

	1950	1951	1952	1953
Current Revenue				
Manufacture	10.0	11.6	13.1	15.2
Commerce	3.4	3.7	4.1	4.6
Transportation	5.3	5.7	6.2	6.7
Services	0.5	0.7	0.9	1.0
Fuel	1.7	2.0	2.3	2.6
National Wealth (customs-duty on investment goods)	2.6	2.5	1.7	1.7
Consumers' payments	37.5	51.8	66.7	76.2
	61.0	78.0	95.0	108.0
Current expenditure				
Manufacture (at factory prices)	3.7	4.3	4.8	4.8
Commerce (margin of prices on goods acquired)	0.6	0.7	0.8	0.8
Transportation	2.6	3.0	3.5	4.0
Services	10.0	13.0	16.0	18.0
Imports c.i.f.)	5.0	6.0	6.0	7.0
National Wealth (depreciation)	7.0	8.0	10.0	13.0
National Income	32.1	38.0	39.1	40.3
	61.0	73.0	80.2	87.9
Revenue surplus (disposable for investment, or expenditure on defense) —	0	5.0	14.8	20.1
	61.0	78.0	95.0	108.0

Notes to Table 7.

Revenue of Government and Local Authorities

The proceeds of the National Funds do not appear in the tables, for most of them stem from foreign contributions. However, the activities of the Funds are not disregarded. For example, to the extent that the proceeds of the Foundation Fund (Keren Hayesod) are turned into salaries to its officials, they appear as part of the income of services (square K 6). In as much as the Keren Hayesod finances a new agricultural settlement, the investment appears in the Agricultural Plan and in table 6 as an investment in Agriculture.

Similarly the Government Account includes only the current revenue of Government and Local Authorities (net of Government grants to the latter). The Development Budget does not appear because it is partly financed from capital import (American Loan) and partly from transactions which do not show up in our approach. For example the issue of Property Bonds (Shitrey-Mekarkein) is of significance to us in as much as this money creation brings about the creation of real investments, or of incomes (investments : construction of houses, highways, ports; incomes : the incomes of the building trade and of the other branches of the economy which sell part of their products to the Government). The monetary aspect of the process, the printing of bonds, or of banks notes, does not concern us ; for money creation has an effect on the economy in as much as it turns, qua active demand, into incomes or investments, and these do appear in our computation.

The Government Account includes the Defense expenditure in as much as it constitutes the income (in money and in kind) of the regular army, the expenditures on fortifications, etc., (which are included in the output of the building industry), the purchases of motor-cars (which are included as investments in transportation) and the purchases from local Manufacture.

Since Government revenue from railroads and ports is included in the output of Transportation, it was deducted from the total of revenue. Revenue of Government does not include internal loans, nor does it include Government grants and participations in the budgets of the Local Authorities. The estimate of Government revenue is based on an analysis of the 1949/1950 Budget and an estimte of the Regular Budget for 1950/51 at the sum of Ll. 54 million. The exact figures were not known at the time of the preparation of the Plan. From this total, I deducted Ll. 3.2 million, representing the presumed proceeds from the Haifa Port and from the railroads. (In 1949/50 — Ll. 2,318,000, according to the Budget ; See Statute Book 21.7.1949, page 126).

I estimated the revenues of Local Authorities, on the basis of budgets from the previous years, at Ll. 16 million. I deducted from this total Ll. 5.8 million, representing loans, appropriations and the like.

The breakdown of revenue according to kinds of taxes (direct taxes, indirect taxes and other incomes) is based upon the per capita average for 1949/1950. Direct taxes constituted then 32% of the current Government revenue. For 1950/51 I assumed 35%. I assumed, however, a relative decline of indirect taxes from 46% in 1949/1950 to 43% in 1950/51. The percentage of other incomes for 1950/51 was assumed to be the same as for 1949/50. The total of Government and Local Authorities' revenue for 1950, namely Ll. 61 million constitutes 20% of that year's National Income. I assume that the percentage will rise to 21% for 1951 and 22% for 1952 and 1953, consisting a per capita rise from LI. 50.8 in 1950 to LI. 60 in 1953.

The division of Government and Local Authorities' revenue according to kinds of taxes (direct, indirect etc.), is based upon an analysis of the 1949/1950 Budget. However, I assumed that direct taxes will rise relatively more than the rise of total Government revenue. By 1953, total revenue will rise by 77%, while the proceeds from direct taxes will rise by 88%. The percentage of the direct tax payments within the National Income will rise from 8.4% in 1950 to 9.8% in 1953.

Since the expenditure on imports of arms and ammunition are not included in current expenditure, the surplus of Government revenue will probably not be available in toto for financing civilian investments. The significance of the trend of a rising civilian surplus is, therefore, that the national economy should bear an ever greater share of the Defence Budget.

Revenue of Government and Local Authorities
for 1949/50 (according to the Budget estimate) and for 1950/51

	1949—1950			1950—1951		
	Per capita (950,000 souls)	in LI. millions	%	in LI. millions	%	LI. per capita
Direct Taxes —						
Income tax		8,600				
Property tax		1,150				
Land betterment tax		800				
Inheritance tax		500				
Absorption tax		1,750				
	13.5	12,800	32	19,200	35	16.0
Indirect Taxes —						
Customs duty		8,000				
Fuel		3,000				
Excise		5,500				
Luxury tax		1,000				
Revenue of Ministry of Supply and Rationing		1,000				
	19.5	18,500	46	23,000	43	19.2
Miscellaneous Taxes	4.3	4,100	10	5,400	10	4.4
	37.3	35,400	88	47,600	88	39.6
Postal Service	2.5	2,400	6	3,200	6	2.7
	39.8	37,800	94	50,800	94	42.3

	1949—1950			1950—1951		
	per capita (950,000 souls)	in LI. millions	%	in LI. millions	%	Per capita LI.
carried over:	39.8	37,800	94	50,800	94	42.3
Haifa Port, railroads	2.5	2,400	6	3,200	6	2.7
	42.3	40,200	100	54,000	100	45.0
Government Revenue, excluding Haifa Port and railroads —				50,800		42.3
Local Authorities' revenue —		16,000				
Less: Loans received (in 1949/50 about 15%) —		2,400				
Government Subsidies (in 1949-50 about 25%)		3,400				
				10,200		8.5
Total of Government and Local Authorities' Revenue —				61,000		50.8

Revenue of Government and Local Authorities, during the Period of the Development Plan.

	1949	1950	1951	1952	1953
Revenue Per Capita					
1 Government revenue —					
11 Direct taxes	13.5	16.0	18.4	20.3	20.5
12 Indirect taxes	19.5	19.2	20.2	20.9	21.0
13 Miscellaneous	4.3	4.4	4.9	5.2	5.3
14 Revenue from postal services	2.5	2.7	2.9	3.1	3.2
15 Total revenue from taxes and postal services	39.8	42.3	46.4	49.5	50.0
2 Revenue from railroads and from Haifa Port (included in Transportation)	2.5	(2.7)			
	42.3	(45.0)			
3 Revenue of Local Authorities					
31 Direct taxes		5.1	5.5	5.9	6.0
32 Indirect taxes		1.7	1.9	2.0	2.0
33 Services and miscellaneous		1.7	1.9	2.0	2.0
34 Total of 3		8.5	9.3	9.9	10.0

	1950	1951	1952	1953
4 Sum total of taxes plus revenue from postal services (15+34)	50.8	55.7	59.4	60.0

b) *Total Revenue* (in LI. '000)

1 Government revenue				
11 Direct taxes	19,200	25,800	32,500	37,000
12 Indirect taxes	23,000	28,300	33,400	37,700
13 Miscellaneous	5,400	6,900	8,300	9,500
14 Revenue from postal services	3,200	4,000	5,000	5,800
15 Total of 1	50,800	65,000	79,200	90,000
2 Revenue of Local Authorities				
21 Direct taxes	6,200	7,700	9,400	10,800
22 Indirect taxes	2,000	2,650	3,200	3,600
23 Services and miscellaneous	2,000	2,650	3,200	3,600
24 Total of 2	10,200	13,000	15,800	18,000
3 Total revenues				
31 Direct taxes	25,400	33,500	41,900	47,800
32 Indirect taxes	25,000	30,950	36,600	41,300
33 Miscellaneous	7,400	9,550	11,500	13,100
34 Revenue from postal services	3,200	4,000	5,000	5,800
35 Total of 3	61,000	78,000	95,000	108,000
4 Index of revenue increase				
41 Direct taxes	100	132	165	188
42 Indirect taxes	100	124	146	165
43 Other revenue	100	129	156	177
44 Total revenue	100	128	156	177
5 Percentage of revenue within the National Income	20	21	22	22
6 Government output, according to table 1				
61 Input of branches of the Economy	23,500	26,200	28,300	31,800
62 Consumption	37,500	51,800	66,700	76,200
63 Total 6	61,000	78,000	95,000	108,000

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BUREAU INTERNATIONAL DU TRAVAIL
BIBLIOTHÈQUE
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LIBRARY
INTERNATIONAL LABOUR OFFICE

Table 8

INTERNATIONAL TRADE BALANCE

	1950	1951	1952	1953
Imports for [1] —				
Agriculture	7.3	8.7	10.1	11.4
Manufacture	35.6	40.6	44.9	49.6
Building and Construction	4.7	7.5	9.0	12.5
Transportation	3.9	4.6	4.9	5.9
Services	0.5	0.6	0.8	0.8
Government	5.0	6.0	6.0	7.0
Fuel	3.9	4.5	5.2	6.1
National Wealth [2]	25.2	20.0	27.4	23.2
Consumption	18.2	19.9	20.3	19.8
	104.3	112.4	128.6	136.3
Export from —				
Agriculture	5.9	7.0	8.8	10.0
Manufacture	9.4	13.2	17.1	22.2
Commerce	0.8	1.3	1.8	2.4
Transportation	6.0	9.7	12.9	18.0
Services	3.1	5.3	7.7	11.1
	25.2	36.5	48.3	63.7

Notes:

[1] Invisible Imports, such as the allotment of foreign currency for travel abroad, payment of interest on foreign loans, and insurance premiums, are included in the imports of the branches of production and distribution. Expenditures of Israelis on travel abroad were deducted from the export of services (revenue from foreign tourists).

[2] Composition of the import of durable goods:

	1950	1951	1952	1953
Agriculture	6.8	6.1	7.1	4.2
Manufacture	7.5	5.9	9.6	7.9
Transportation	8.6	5.3	7.7	7.7
Consumption	2.3	2.7	3.0	3.4
	25.2	20.0	27.4	23.2

The import for investment in buildings and public works is included not in the import of durable goods, but in imports for Building and Construction.

Composition of Import according to kinds —

	1950	1951	1952	1953
a) In LI. millions —				
Producer goods	60.9	72.5	80.9	93.3
Investment goods	25.2	20.0	27.4	23.2
Consumer goods	18.2	19.9	20.3	19.8
Total	104.3	112.4	128.6	136.3
b) As percentage of total Imports:				
Producer goods	58.4	64.5	62.9	68.5
Investment goods	24.2	17.8	21.3	17.0
Consumer goods	17.4	17.7	15.8	14.5
Total	100.0	100.0	100.0	100.0
Export as percentage of Import	24.2	32.5	37.6	46.7